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Firm suing to void Rewald insurance

By Walter Wright
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A California insurance company yesterday filed a last-minute suit to void \$3 million of life insurance on Ronald Rewald on grounds he lied and concealed information when applying for the policies.

The coverage includes a \$2 million term life insurance policy which was purchased two years ago today and which would have been "incontestable" as of today.

That means the company would have been obliged to honor the \$2 million policy even if the application was fraudulent.

Rewald attempted suicide July 29 after a television broadcast raising questions about his investment firm of Bishop, Baldwin, Rewald, Dillingham and Wong.

He was later indicted on two counts of theft and is being held in lieu of \$10 million bail in the hospital unit at Oahu Community Correctional Center, where he is "closely monitored," according to prison spokesman Chapman Lam.

The Advertiser reported Saturday that Rewald held \$5 million in term life insurance, most of it incontestable. The total insurance now is believed to be \$6.25 million, with two companies.

Sources close to the embattled businessman have suggested that, with the insurance policies in force, Rewald saw suicide as an escape from his problems which would leave his wife and children financially secure.

Ironically, it now appears that

Rewald's creditors would have been among the first to claim proceeds from the insurance policies if Rewald had succeeded in his suicide attempt.

Attorney Jeffrey Portnoy of Honolulu, who filed the suit for Sovereign Life Insurance Company of California, said the company was contacted last week by Rewald's attorney, Robert A. Smith of Honolulu.

Portnoy said Smith asked the insurance company "if the company might help in obtaining funds for Mr. Rewald's defense."

Portnoy said the insurance policy has no cash value and would not produce any cash unless Rewald died.

Rewald has been described as discouraged over his inability to obtain use of any funds for his defense in the criminal case.

The attorneys he first hired for that job, Brook Hart and Peter Wolff, have asked to be allowed to withdraw because, they say, Rewald cannot pay them.

U.S. District Judge Martin Pence has frozen Rewald's assets and those of the company, and Thomas Hayes, interim trustee in the company's bankruptcy proceeding, says Rewald's assets appear to have been purchased with company funds and therefore belong to the company.

Hayes estimates that almost all of the \$13 million placed with the firm by 400 investors is gone.

The suit against Rewald over the insurance policy also names his wife, Nancy, and Russell Duke

Chun Kim, trustee under the Ronald Rewald trust agreement of Oct. 27, 1980.

Rewald himself and Kim as his trustee are the beneficiaries of a \$2 million term life insurance policy purchased by Rewald on Sept. 14, 1981, the suit says.

Mrs. Rewald is the beneficiary of the second policy, for \$1 million, purchased by Rewald in March 1983. It would not be incontestable for two years, and would not pay in the event of death by suicide at this time.

Rewald's other insurance policies, totaling \$3.25 million, are with Northwestern Mutual Life Insurance Company, and all but \$250,000 of that amount has been in force long enough to be incontestable, according to Hayes' office.

The suit by Sovereign says Rewald failed to make good faith disclosures of essential facts affecting his insurability, and "this failure amounted to fraud."

The suit also says certain material representations made by Rewald were untrue, and that Sovereign would not have issued the policies except for those false representations.

Portnoy said reports in the media about Rewald indicate that some of his statements to the insurance company were untrue.

"For example, he told my clients that he arrived in Hawaii in 1973, and immediately began working for Bishop, Baldwin," Portnoy said. "From what we've seen in the media, he didn't arrive until 1977. There's a four-year period of time

in which he claims he was in Hawaii and working when in fact it appears he was somewhere else and having difficulty in his personal and financial life."

Portnoy appeared to be referring to reports of corporate bankruptcy proceedings involving Rewald in Wisconsin, and Rewald's no contest plea to a charge of misdemeanor theft in a Wisconsin case.

"My client is also very concerned," Portnoy said, "that if the allegations about how Rewald earned his money over the past couple of years are true, we had no knowledge of that activity and, had we known of it, it would have led us to the conclusion that he was a 'moral hazard' and not insurable."

In another development in the Bishop, Baldwin case yesterday, Don P. Desonier, president of the West Honolulu Association of Life Underwriters, a life insurance underwriters industry group, confirmed that about \$20,000 — most of the association's reserves — was deposited with Bishop, Baldwin early in 1983.

He said the money represented dues collected from members for association activities.

Desonier said it is clear that the association's board did not act to authorize the deposit, but he declined to comment further on how the deposit was made.

Desonier sent a letter to association members recently saying that the group definitely would be able to carry out its 1983-84 programs despite the reduction in association reserves.